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LOS ANGELES

BY \_\_\_\_\_

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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

MAINE STATE RETIREMENT SYSTEM,  
Individually and On Behalf of All Others  
Similarly Situated,

Plaintiff,

v.

COUNTRYWIDE FINANCIAL  
CORPORATION; COUNTRYWIDE  
SECURITIES CORPORATION;  
COUNTRYWIDE HOME LOANS, INC.;  
COUNTRYWIDE CAPITAL MARKETS;  
CWALT, INC.; CWMBS, INC.; CWABS,  
INC.; CWHEQ, INC.; DEUTSCHE BANK  
SECURITIES INC.; UBS SECURITIES  
LLC; MORGAN STANLEY & CO., INC.;  
GOLDMAN, SACHS & CO.; RBS  
SECURITIES INC.; HSBC SECURITIES  
(USA) INC.; STANFORD L. KURLAND;  
DAVID A. SPECTOR; ERIC P. SIERACKI;  
DAVID A. SAMBOL,

Defendants.

No. 2:10-CV-00302 MRP  
(MAN)

CLASS ACTION

**THIRD AMENDED CLASS  
ACTION COMPLAINT**

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1 In accordance with the Court's Opinion and Order dated November 4, 2010  
2 ("Countrywide Tolling Decision") and Opinion and Order dated May 5, 2011  
3 ("Countrywide MTD Decision"), Lead Plaintiff Iowa Public Employees'  
4 Retirement System and additional named plaintiffs the General Board of Pension  
5 and Health Benefits of the United Methodist Church, Orange County Employees'  
6 Retirement System, and Oregon Public Employees' Retirement System  
7 (collectively, "Plaintiffs"), submit this Third Amended Class Action Complaint  
8 ("TAC") and allege the following upon personal knowledge as to themselves and  
9 their own acts and upon information and belief as to all other matters. Plaintiffs'  
10 information and belief is based on the investigation of their counsel. The  
11 investigation included, for example: (i) review and analysis of the offering  
12 materials for the Certificates as defined below, and the Certificates' rating  
13 histories; (ii) examination of the monthly service or remittance reports issued in  
14 connection with the Certificates; (iii) examination of the SEC filings, press releases  
15 and other public statements of Countrywide Financial Corporation ("CFC"); (iv)  
16 review and analysis of court filings cited herein; (v) review and analysis of media  
17 reports, congressional testimony and additional material; (vi) analysis of the  
18 Securities and Exchange Commission's ("SEC") Summary Report of Issues  
19 Identified in the Commission Staff's Examinations of Select Credit Rating  
20 Agencies ("SEC Report") and additional documents cited herein; and (vii)  
21 discussions with federal and state agencies as well as attorneys for private litigants  
22 who have investigated and pursued civil actions against one or more Countrywide  
23 entities alleging wrongdoing during the period at issue herein. Many of the facts  
24 related to Plaintiffs' allegations are known only by the Defendants named herein,  
25 or are exclusively within their custody or control. Plaintiffs believe that substantial  
26 additional evidentiary support for the allegations set forth below will be developed  
27 after a reasonable opportunity for discovery.  
28

1 Plaintiffs undertake this amendment to comply with the Countrywide  
2 Tolling Decision and Countrywide MTD Decision. In so doing, Plaintiffs do not  
3 waive and hereby preserve all previously asserted claims regarding all securities  
4 included in the Consolidated Amended Class Action Complaint (“First Amended  
5 Complaint” or “FAC”) and Consolidated Second Amended Class Action  
6 Complaint (“Second Amended Complaint” or “SAC”) in this action as if fully set  
7 forth herein. True and correct copies of the FAC and SAC are annexed hereto as  
8 **Exhibit A and Exhibit B**, respectively, of the accompanying Appendix (“TAC  
9 Appendix”). Furthermore, annexed hereto as **TAC Appendix Exhibit C** is a  
10 redline of the TAC to the SAC.

## 11 **I. SUMMARY OF THE ACTION**

12 1. This Complaint is brought by Plaintiffs pursuant to the Securities Act  
13 of 1933, 15 U.S.C. § 77a, *et seq.* (the “Securities Act”), on behalf of All persons or  
14 entities who purchased mortgage-backed securities one or more of the nine  
15 tranches in the offerings set forth below and in **TAC Appendix Exhibits D-F**  
16 (collectively the “MBS” or “Certificates”) pursuant and traceable to Registration  
17 Statements, Original Basic Prospectuses, and Prospectus Supplements  
18 (collectively, the “Offering Documents”) filed with the Securities and Exchange  
19 Commission (“SEC”) by Defendants (1) Alternative Loan Trust Certificates issued  
20 by Defendant CWALT, Inc. (“CWALT”); (2) CWABS Asset-Backed Trust  
21 Certificates issued by Defendant CWABS, Inc. (“CWABS”); (3) CHL Mortgage  
22 Pass-Through Trust Certificates issued by Defendant CWMBBS, Inc. (“CWMBBS”);  
23 and (4) CWHEQ Revolving Home Equity Loan Trusts and Home Equity Loan  
24 Trusts issued by Defendant CWHEQ, Inc. (“CWHEQ”) (CWALT, CWABS,  
25 CWMBBS, and CWHEQ are collectively referred to herein as the “Depositors” or  
26 “Issuers”). All of the Certificates were collateralized by residential mortgage loans  
27 that Countrywide Home Loans, Inc. (“Countrywide”) or its affiliates originated.  
28 The Certificates were sold in nine separate public offerings (the “Offerings”) over

1 fifteen months between October 2005 and December 2006. A complete list of  
2 each Certificate that is the subject of this TAC is set forth in **TAC Appendix**  
3 **Exhibit D**. The \$2.63 billion in Countrywide Certificates which are the subject of  
4 this Complaint is comprised of nine separate tranches of Certificates issued in nine  
5 separate Countrywide MBS Offerings, as set forth herein at ¶¶58-78 and **TAC**  
6 **Appendix Exhibits D & E**.

7 2. Excluded from the Class are Defendants, their officers and directors at  
8 all relevant times, members of their immediate families, and their legal  
9 representatives, heirs, successors or assigns and any entity in which any Defendant  
10 has or had a controlling interest

11 3. The Certificates were underwritten by Defendants Countrywide  
12 Securities Corporation (“CSC”), Deutsche Bank Securities Inc. (“Deutsche Bank”),  
13 UBS Securities LLC (“UBS”), Morgan Stanley & Co., Inc. (“Morgan Stanley”),  
14 Goldman, Sachs & Co. (“Goldman Sachs”), RBS Securities Inc. f/k/a RBS  
15 Greenwich Capital d/b/a Greenwich Capital Markets, Inc. (“RBS”) and HSBC  
16 Securities (USA) Inc. (“HSBC”) (collectively the “Underwriters” or “Underwriter  
17 Defendants”).

18 4. Plaintiffs assert claims for violations of Sections 11, 12(a)(2) and 15  
19 of the Securities Act, 15 U.S.C. §§ 77k, 77l(a)(2) and 77o, arising from material  
20 misstatements and omissions in the Registration Statements, Prospectuses and  
21 subsequently-filed Prospectus Supplements (collectively referred to herein as the  
22 “Offering Documents”). Accordingly, this action involves claims of negligence  
23 and strict liability under the Securities Act. The Complaint asserts no allegations  
24 of fraud on the part of any Defendant.

25 5. From 2005 through 2007, Countrywide was the nation’s largest  
26 residential mortgage lender. Countrywide originated in excess of \$850 billion in  
27 home loans throughout the United States in 2005 and 2006 alone. Countrywide’s  
28 ability to originate residential mortgages on such a massive scale was facilitated, in

1 large part, by its ability to rapidly package or securitize those loans and then,  
2 through the activities of the Underwriter Defendants, sell them to investors as  
3 purportedly investment grade mortgage-backed securities.

4 6. Each Offering operated in the same manner. A special-purpose trust  
5 (the “Issuing Trust”) was created by the Depositor to hold the underlying mortgage  
6 loan collateral. Certificates entitled investors to receive monthly distributions of  
7 interest and principal from the Issuing Trusts derived from cash flows from  
8 borrower repayment of the mortgage loans. The cash flows from the principal and  
9 interest payments from those mortgage loans were then divided into multiple  
10 classes, or “tranches,” of senior and subordinated Certificates. If borrowers failed  
11 to pay back their mortgages, these losses would flow to Plaintiffs based on the  
12 seniority of their Certificates. However, since all of the Certificates issued by an  
13 individual Issuing Trust were backed by the pool of mortgages associated with that  
14 Issuing Trust, a decline in the value of the mortgages in the pool arising from  
15 delinquencies, defaults, or other problems with the particular loans would cause a  
16 decline in the value of each and every class or tranche of Certificates in the Issuing  
17 Trust, regardless of the subordination of certain Certificates to more senior ones.

18 7. The assembly line created by Countrywide and the Underwriter  
19 Defendants for the mass production and sale of the Certificates began with  
20 Countrywide and its affiliates originating the mortgage loans. These loans were all  
21 purportedly underwritten pursuant to specific loan origination guidelines set forth  
22 in the Offering Documents. The guidelines provided, *inter alia*, that Countrywide  
23 and its affiliates would assess borrower creditworthiness and appraise the value of  
24 the mortgaged property pursuant to standard appraisal methodologies. As set forth  
25 below, these descriptions of the loan origination guidelines in the Offering  
26 Documents contained material misstatements and omissions since, in fact, the  
27 guidelines were systematically disregarded to include borrowers who did not meet  
28 the aforementioned criteria.



1           8. Once the loans were originated they were ultimately sold to the  
2 Depositors who were all limited purpose entities created by CFC. The Depositors  
3 would deposit the loans into Issuing Trusts and, along with the Underwriter  
4 Defendants and the Rating Agencies, including Moody's Investors Service, Inc.  
5 ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings, Inc. ("Fitch")  
6 (collectively referred to herein as the "Rating Agencies"), design the structure of  
7 each Offering. The Offering structures determined how the cash flows from the  
8 mortgage loans would be distributed to senior and subordinate classes of  
9 Certificates. Each Offering purported to provide various forms of investor  
10 protections and purported to justify the investment grade ratings assigned to the  
11 Certificates.

12           9. It was critically important to the Underwriter Defendants not only that  
13 all of the Certificates be assigned investment grade ratings by the Rating Agencies  
14 at the time of issuance, but that they be assigned the highest investment grade  
15 ratings. The highest investment rating used by the Rating Agencies is AAA (Aaa  
16 for Moody's), which signifies the highest investment grade and suggests that there  
17 is almost no risk of investment loss associated with the security – the safest  
18 investment next to U.S. Treasury bonds. Ratings of "AA," "A" and "BBB"  
19 represent very high credit quality, high credit quality, and good credit quality,  
20 respectively. There are various intermediate ratings between BBB and AAA.  
21 Anything rated lower than BBB is considered speculative or "junk," *i.e.*, not  
22 investment grade.

23           10. In fact, all of the Countrywide-issued Certificates at issue herein were  
24 assigned investment grade ratings and 100% received the highest investment grade  
25 ratings. These ratings assured the rapid sale of the Certificates to conservative  
26 investors such as public and private pension funds and insurance companies whose  
27 investment guidelines typically require them to purchase only investment grade  
28 securities. The Underwriter Defendants exercised their substantial economic



1 power by soliciting the Rating Agencies to bid for the ratings engagements via the  
2 Rating Agencies' proposed ratings of the Certificates. The Underwriters'  
3 competitive selection process for securing ratings, known as "ratings shopping,"  
4 ensured that the highest investment grade ratings were assigned to substantially all  
5 of the Certificates.

6 11. After the Certificates were issued, facts began to emerge reflecting  
7 that the mortgage collateral supporting the purported investment grade securities  
8 was fundamentally impaired and that the guidelines described in the Offering  
9 Documents had been systematically disregarded.<sup>1</sup>

10 12. No matter when the Offering occurred, the default and delinquency  
11 rates of the Certificates at issue herein skyrocketed exponentially in the first year  
12 after the loans were originated, reflecting en mass early payment defaults. Such  
13 early defaults are a strong indicator that origination guidelines have not been  
14 applied, *infra* ¶¶97-105, 108.

15 13. As a result of such poor loan performance the Rating Agencies were  
16 forced not merely to downgrade isolated Certificates, but rather to revise the entire  
17 methodology used to assign investment grade ratings to the Certificates. Further,  
18 in making these fundamental revisions, the Rating Agencies explained that the  
19 impetus for the change was previously undisclosed and systematic "aggressive  
20 underwriting" practices used to originate the mortgage loan collateral. When these  
21 revised methodologies were applied to the Certificates in 2008 and 2009, the result  
22 was an unprecedented collapse of the investment grade ratings. Indeed, the  
23 Certificates bearing the highest investment grade ratings collapsed largely in one  
24 fell swoop – not merely one or two rating levels, but *as much as 22 rating levels* to  
25

---

26 <sup>1</sup> For purposes of the Securities Act, the Depositor is considered the "Issuer"  
27 under Section 2(a)(4), 15 U.S.C. § 77b(a)(4). The "issuing entity" in each Offering  
28 was the specifically denominated Issuing Trust, *e.g.*, for the CWALT Series 2005-  
62 \$1,559,819,100 Offering on October 28, 2005, the Issuer was CWALT, Inc. and  
the issuing entity was the Issuing Trust denominated "Alternative Loan Trust  
2005-62."

1 below investment grade or junk bond rating. Indeed, 89% of the Certificates, all of  
2 which were initially awarded AAA/maximum-safety ratings, have now been  
3 downgraded to junk bond levels, *infra* ¶¶102-109.

4 14. Finally, commensurate with the exponential increases in delinquency  
5 and default rates in the underlying mortgages and the Certificates' ratings collapse,  
6 the value of the Certificates has plummeted.

7 15. As a result of Countrywide's systemic disregard for its underwriting  
8 guidelines, numerous statements set forth in the Offering Documents contained  
9 material misstatements and omissions, including regarding: (i) the high quality of  
10 the mortgage pools underlying the Issuing Trusts, resulting from the underwriting  
11 standards employed to originate the mortgages, the value of the collateral securing  
12 the mortgages, and the soundness of the appraisals used to arrive at this value; (ii)  
13 the mortgages' loan-to-value ("LTV") ratios; and (iii) other criteria that were used  
14 to qualify borrowers for mortgages.

15 16. The widespread collapse of Countrywide mortgages not only resulted  
16 in damage to Certificate investors but also drove Countrywide toward the brink of  
17 bankruptcy. To survive, Countrywide merged with Bank of America in a \$4.1  
18 billion stock exchange in January 2008.

## 19 **II. JURISDICTION AND VENUE**

20 17. The claims asserted herein arise under and pursuant to Sections 11,  
21 12(a)(2), and 15 of the Securities Act, 15 U.S.C. §§ 77k, 771(a)(2) and 77o. This  
22 Court has jurisdiction over the subject matter of this action pursuant to Section 22  
23 of the Securities Act, 15 U.S.C. § 77v and 28 U.S.C. § 1331.

24 18. Venue is proper in this District pursuant to Section 22 of the  
25 Securities Act and 28 U.S.C. § 1391(b) and (c). Many of the acts and conduct  
26 complained of herein occurred in substantial part in this District, including the  
27 dissemination of the Offering Documents, which contained material misstatements  
28 and omissions, complained of herein. In addition, Defendants conduct business in

1 this District.

2 19. In connection with the acts and conduct alleged herein, Defendants,  
3 directly or indirectly, used the means and instrumentalities of interstate commerce,  
4 including the mails and telephonic communications.

5 **III PROCEDURAL HISTORY**

6 20. The instant litigation was originally commenced on November 14,  
7 2007 with the filing of *Luther v. Countrywide Home Loans Servicing LP, et al.*,  
8 Case No. BC380698 (Cal. Superior Court, Los Angeles County) (“Initial Luther  
9 Complaint”). The Initial Luther Complaint asserted claims for violations of  
10 Sections 11, 12(a)(2) and 15 of the Securities Act on behalf of a class of all  
11 purchasers of 188 Offerings of Countrywide MBS issued by Defendant CWALT  
12 between January 2005 and June 2007 pursuant to five separate Shelf Registration  
13 Statements. **See TAC Appendix Exhibit F.** All 188 Offerings included in the  
14 Initial Luther Complaint are included in the FAC. The Offerings included in the  
15 Initial Luther Complaint are set forth in **TAC Appendix Exhibit G**, annexed  
16 hereto. *There were no PSLRA Certifications identifying the securities purchased*  
17 *by the named Plaintiffs accompanying the filing of the Initial Luther Complaint,*  
18 *nor did the Initial Luther Complaint include allegations of specific securities*  
19 *purchased by the named plaintiff.*

20 21. Thereafter, on June 14, 2008, a second action was filed in California  
21 State Superior Court captioned *Washington State Plumbing & Pipefitting Pension*  
22 *Trust v. Countrywide Financial Corporation, et al.*, Case No. BC392571 (Cal.  
23 Superior Court, Los Angeles County) (“Washington State Action” or “Washington  
24 State Complaint”). The named Plaintiff, Washington State Plumbing & Pipefitting  
25 Pension Trust (“Washington State”) asserted claims on behalf of a class of all  
26 purchasers of 398 Offerings of Countrywide MBS issued between June 13, 2005  
27 and December 27, 2007 pursuant to 19 separate Shelf Registration Statements. **See**  
28 **TAC Appendix Exhibit F.** Three hundred and ninety-six Offerings included in

1 the Washington State Complaint were included in the FAC. The Offerings  
2 included in the Washington State Complaint are set forth in **TAC Appendix**  
3 **Exhibit G**, annexed hereto. *There were no PSLRA Certifications identifying the*  
4 *securities purchased by the named Plaintiffs accompanying the filing of the*  
5 *Washington State Complaint, nor did the Washington State Complaint include*  
6 *allegations identifying the specific securities purchased by the named plaintiffs.*

7 22. Thereafter, on September 9, 2008, an amended complaint was filed in  
8 *Luther* (“Amended Luther Complaint”), adding four additional plaintiffs to the  
9 action – Vermont Pension Investment Committee (“Vermont”), Mashreqbank,  
10 P.S.C. (“MASH”), Pension Trust Fund for Operating Engineers (“PTOE”) and  
11 Operating Engineers Annuity Plan (“OEAP”). The named plaintiffs asserted  
12 claims on behalf of a class of all purchasers of 428 Offerings of Countrywide MBS  
13 issued between January 2005 and December 2007 pursuant to 20 separate Shelf  
14 Registration Statements. *See TAC Appendix Exhibit F.* All 427 Countrywide  
15 Offerings in the FAC were included in the Amended Luther Complaint. The  
16 Offerings included in the Amended Luther Complaint are set forth in **TAC**  
17 **Appendix Exhibit G**, annexed hereto. *There were no PSLRA Certifications*  
18 *identifying the securities purchased by the named Plaintiffs accompanying the*  
19 *filing of the Amended Luther Complaint, nor did the Amended Luther*  
20 *Complaint include allegations identifying the specific securities purchased by the*  
21 *named plaintiffs.*

22 23. After consolidation of the *Luther* and *Washington State* actions, a  
23 consolidated complaint was filed on October 16, 2008 (the “Luther Consolidated  
24 Complaint”), naming Luther, Vermont, MASH, PTOE, OEAP and Washington  
25 State as plaintiffs. In addition, the Luther Consolidated Complaint added Maine  
26 State Retirement System (“Maine”) as an additional named plaintiff. Vermont,  
27 MASH, PTOE, OEAP, Maine and Washington State are collectively referred to  
28 herein at times as the “Luther Plaintiffs.” These plaintiffs asserted claims on

1 behalf of a class of all purchasers of 428 Offerings of Countrywide MBS issued  
2 between January 2005 and December 2007 pursuant to 20 separate Shelf  
3 Registration Statements. **See TAC Appendix Exhibit F.** Again, all 427  
4 Countrywide MBS Offerings in the FAC were included in the Luther Consolidated  
5 Complaint. The Offerings included in the Luther Consolidated Complaint are set  
6 forth in **TAC Appendix Exhibit G**, annexed hereto. *There were no PSLRA*  
7 *Certifications identifying the securities purchased by the named Plaintiffs*  
8 *accompanying the filing of the Luther Consolidated Complaint, nor did the*  
9 *Luther Consolidated Complaint include allegations identifying the specific*  
10 *securities purchased by the named plaintiffs.*

11 24. On January 14, 2010, after being dismissed due to lack of subject  
12 matter jurisdiction in state court, counsel for the Luther Plaintiffs filed *Maine State*  
13 *Retirement System v. Countrywide Financial Corporation, et al.*, Civ. No. 10-  
14 00302-MRP-MAN (C.D. Cal. Jan. 14, 2010) (the “Federal Action” or “Federal  
15 Complaint”). Maine State Retirement System was the sole named plaintiff in the  
16 Federal Complaint, which set forth identical allegations regarding the same 428  
17 Countrywide Offerings as the Luther Consolidated Complaint. **See TAC**  
18 **Appendix Exhibit F.** All 427 Offerings in the FAC were included in the Federal  
19 Complaint. The Offerings included in the Federal Complaint are set forth in **TAC**  
20 **Appendix Exhibit G**, annexed hereto. *Annexed to the Federal Complaint was*  
21 *the Certification of Maine State Retirement System which set forth the specific*  
22 *Countrywide MBS which Maine had purchased.*

23 25. The Luther Plaintiffs also appealed their dismissal by the Superior  
24 Court to the California Court of Appeals (Second Appellate District). On May 19,  
25 2011, the California Court of Appeals reversed the Superior Court in full and  
26 remanded the case back to the trial court for further proceedings. *Luther v.*  
27 *Countrywide Financial Corp., et al.*, Case No. B222889, 2011 Cal. App. LEXIS  
28 596 (Cal. Ct. App. May 18, 2011).

1           26. There were no PSLRA Certifications or allegations setting forth  
2 precisely which Offerings or tranches thereof the remaining five Luther Plaintiffs  
3 (*i.e.*, MASH, PTOE, OEAP, Washington State and Vermont) purchased until the  
4 filing of the motions for lead plaintiff in this action on April 2, 2010. *See* Dkt.  
5 Nos. 86-89. Moreover, the specific Countrywide Certificates purchased by the  
6 named plaintiff in the Luther Action, David Luther, have never been publicly  
7 disclosed or set forth in any previous complaints in this action. In fact, this  
8 information was only obtained from Mr. Luther's counsel in response to a request  
9 from Plaintiffs' Counsel. Ultimately, on May 17, 2010, IPERS was appointed as  
10 Lead Plaintiff in the action.

11           27. On July 13, 2010, IPERS, along with additional named Plaintiffs  
12 OCERS, OPERS and GBPHB, filed the FAC in the Federal Action. The FAC  
13 asserted claims on behalf of a class of all purchasers of 427 Offerings of  
14 Countrywide MBS issued between January 2005 and December 2007 pursuant to  
15 19 separate Shelf Registration Statements. ***See TAC Appendix Exhibit F.*** The  
16 Offerings included in the FAC are set forth in ***TAC Appendix Exhibit G***, annexed  
17 hereto. Thereafter, Defendants moved to dismiss the FAC. By Opinion and Order  
18 dated November 4, 2010, the Court granted Defendants' motions to dismiss with  
19 leave to replead in accordance with the Countrywide Tolling Decision.

20           28. On December 12, 2010, Plaintiffs filed the SAC in the Federal Action.  
21 While expressly preserving all claims against all parties contained in the FAC, the  
22 SAC asserted claims on behalf of a class of all purchasers of 20 Offerings of  
23 Countrywide MBS issued between September 2005 and December 2006 pursuant  
24 to seven separate Shelf Registration Statements. ***See TAC Appendix Exhibit F.***  
25 The Offerings included in the SAC are set forth in ***TAC Appendix Exhibits G***,  
26 annexed hereto. Thereafter, Defendants moved to dismiss the SAC. By Opinion  
27 and Order dated May 5, 2011, the Court granted in part and denied in part  
28 Defendants' motions to dismiss and granted a motion to strike certain allegations



1 in the SAC, and directed Plaintiffs to replead within 30 days in accordance with the  
2 Countrywide MTD Decision. This TAC is filed in compliance therewith.

3 **IV. PARTIES**

4 **A. Plaintiffs**

5 29. **Iowa Public Employees' Retirement System** ("IPERS") is a public  
6 pension fund for employees of the State of Iowa. IPERS acquired its Certificates  
7 pursuant and traceable to one or more Shelf Registration Statements, Original  
8 Basic Prospectuses and later-filed Prospectus Supplements. The Offering  
9 Documents were rendered materially misleading as a consequence of the same  
10 course of conduct with respect to each Offering by Defendants. A Certification  
11 documenting IPERS' transactions in the Certificates was filed with IPERS' motion  
12 for appointment as lead plaintiff on April 2, 2010. *See* Dkt. No. 80. As set forth in  
13 ¶¶58-78, directly below, IPERS purchased the Certificates pursuant and traceable  
14 to the Offering Documents and has been damaged thereby.

15 30. **General Board of Pension and Health Benefits of the United**  
16 **Methodist Church** ("GBPHB") is the pension fund for the active and retired  
17 clergy and lay employees of the United Methodist Church. GBPHB acquired its  
18 Certificates pursuant and traceable to one or more Shelf Registration Statements,  
19 Original Basic Prospectuses and later-filed Prospectus Supplements. The Offering  
20 Documents were rendered materially misleading as a consequence of the same  
21 course of conduct with respect to each Offering by Defendants. A Certification  
22 documenting GBPHB's transactions in the Certificates was filed with GBPHB's  
23 motion for appointment as lead plaintiff on April 2, 2010. *See* Dkt. No. 85. As set  
24 forth in ¶¶58-78, directly below, GBPHB purchased its Certificates pursuant and  
25 traceable to the Offering Documents and has been damaged thereby.

26 31. **Orange County Employees' Retirement System** ("OCERS") is a  
27 public pension fund for the employees of Orange County, California. OCERS  
28 acquired its Certificates pursuant and traceable to one or more Shelf Registration



1 Statements, Original Basic Prospectuses and later-filed Prospectus Supplements.  
2 The Offering Documents were rendered materially misleading as a consequence of  
3 the same course of conduct with respect to each Offering by Defendants. A  
4 Certification documenting OCERS' transactions in the Certificates and willingness  
5 to serve as a representative party in this litigation was annexed to and filed with the  
6 FAC on July 13, 2010. *See* Dkt. No. 122. As set forth in ¶¶58-78, directly below,  
7 OCERS purchased its Certificates pursuant and traceable to the Offering  
8 Documents and has been damaged thereby.

9       32. **State of Oregon, by and through the Oregon State Treasurer and**  
10 **the Oregon Public Employee Retirement Board on behalf of the Oregon**  
11 **Public Employee Retirement Fund** ("OPERS") is a public pension fund for  
12 employees of the State of Oregon. OPERS acquired its Certificates pursuant and  
13 traceable to one or more Shelf Registration Statements, Original Basic  
14 Prospectuses and later-filed Prospectus Supplements. The Offering Documents  
15 were rendered materially misleading as a consequence of the same course of  
16 conduct with respect to each Offering by Defendants. A Certification documenting  
17 OPERS' transactions in Countrywide MBS and willingness to serve as a  
18 representative party in this litigation was annexed to and filed with the FAC on  
19 July 13, 2010. *See* Dkt. No. 122. As set forth in ¶¶58-78, directly below, OPERS  
20 purchased its Certificates pursuant and traceable to the Offering Documents and  
21 has been damaged thereby.

22       **B. Defendants**

23       33. Plaintiffs allege that each and every Defendant is, to the maximum  
24 extent permitted by law, jointly and severally liable for the misconduct alleged in  
25 this Complaint.

26       **1. Countrywide Defendants**

27       34. Defendant **Countrywide Financial Corporation** ("CFC") was, at  
28 times relevant to this Complaint, a Delaware corporation with its principal

1 executive offices located at 4500 Park Granada, Calabasas, California. CFC was a  
2 holding company which, through its subsidiaries, was engaged in mortgage lending  
3 and other real estate finance related businesses, including mortgage banking,  
4 banking and mortgage warehouse lending, dealing in securities and insurance  
5 underwriting. The Company operated through five business segments: Mortgage  
6 Banking, which originated, purchased, sold and serviced non-commercial  
7 mortgage loans nationwide; Banking, which took deposits and invested in  
8 mortgage loans and home equity lines of credit; Capital Markets, which operated  
9 an institutional broker-dealer that primarily specialized in trading and underwriting  
10 MBS; Insurance, which offered property, casualty, life and disability insurance as  
11 an underwriter and as an insurance agency; and Global Operations, which licensed  
12 and supported technology for mortgage lenders in the United Kingdom. As  
13 discussed below, CFC merged with and became Bank of America in 2008. The  
14 Issuer Defendants, as set forth below, were controlled directly by the Individual  
15 Defendants and CFC, including by the appointment of CFC executives as directors  
16 and officers of these entities. Revenues flowing from the issuance and sale of  
17 MBS issued by CWALT, CWMBBS, CWABS and CWHEQ and the Issuing Trusts  
18 were passed through to CFC and consolidated into CFC's financial statements.  
19 Defendant CFC, therefore, exercised actual day-to-day control over Defendants  
20 CWALT, CWMBBS, CWABS, and CWHEQ. Defendant CFC was a named  
21 defendant in the Washington State Complaint, the Amended Luther Complaint, the  
22 Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC.  
23 These complaints alleged that CFC's role relating to the creation and sale of MBS  
24 violated the Securities Act. The claims asserted in this SAC as they relate to CFC  
25 were tolled under the Countrywide Tolling Decision and Countrywide MTD  
26 Decision for the Certificates set forth in **TAC Appendix Exhibits H & I**.

27       35. Defendant **Countrywide Securities Corporation** ("CSC") is a  
28 broker-dealer within CFC. According to CFC's Form 10-K for the year ended

December 31, 2007, filed with the SEC on February 29, 2008 (“2007 Form 10-K”), CSC “primarily specializes in trading and underwriting MBS.” The financial results of CSC are set forth in the Capital Markets section of CFC’s financial statements. CFC further stated in its 2007 Form 10-K that it was “ranked fourth among Non-Agency MBS Underwriters” for 2007. Defendant CSC was a named defendant in the Initial Luther Complaint, the Washington State Complaint, the Amended Luther Complaint, the Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC. These complaints alleged that CSC’s conduct relating to the creation and sale of MBS violated the Securities Act. The claims asserted in this SAC as they relate to CFC were tolled under the Countrywide Tolling Decision and Countrywide MTD Decision for the Certificates set forth in **TAC Appendix Exhibits H & I.**

36. **Countrywide Home Loans, Inc.** (“CHL”) was, at times relevant to this Complaint, a direct wholly-owned subsidiary of CFC. CHL was engaged in the mortgage banking business, and originated, purchased, sold and serviced mortgage loans. CHL’s principal executive offices were located at 4500 Park Granada, Calabasas, California, the same location as CFC. CHL served as the “Sponsor” or “Seller” of the Certificates, meaning that it played a central role in providing the pools of mortgage loans to the Issuing Trusts upon which the Certificates were based. Defendant CHL was a named defendant in the Initial Luther Complaint, the Washington State Complaint, the Amended Luther Complaint, the Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC. These complaints alleged that CHL’s conduct relating to the creation and sale of MBS violated the Securities Act. The claims asserted in this SAC as they relate to CHL were tolled under the Countrywide Tolling Decision and Countrywide MTD Decision for the Certificates set forth in **TAC Appendix Exhibits H & I.**

37. Defendant **Countrywide Capital Markets** (“CCM”) was, at times

relevant to this Complaint, a direct wholly-owned subsidiary of CFC. CCM's principal executive offices were located at 4500 Park Granada, Calabasas, California, the same location as CFC. CCM operated through its two main wholly-owned subsidiaries, CSC and Countrywide Servicing Exchange. According to CFC's 2007 Form 10-K, "Capital Markets participates in both competitive bid and negotiated underwritings and performs underwriting services for CHL, Countrywide Bank and third parties." The financial results of CCM were set forth in the Capital Markets section of CFC's financial statements. Defendant CCM was a named defendant in the Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC. These complaints alleged that CCM's conduct relating to the creation and sale of MBS violated the Securities Act. The claims asserted in this SAC as they relate to CCM were tolled under the Countrywide Tolling Decision and Countrywide MTD Decision for the Certificates set forth in **TAC Appendix Exhibits H & I.**

## **2. The Issuer Defendants**

38. Defendant CFC structured Defendants CWALT, CWMBBS, CWABS, and CWHEQ as limited purpose, wholly-owned, finance subsidiaries to facilitate its issuance and sale of the MBS. CWALT, CWMBBS, CWABS, and CWHEQ were controlled directly by CFC, including by the appointment of CFC executives as directors and officers of these entities. Revenues flowing from the issuance and sale of MBS issued by CWALT, CWMBBS, CWABS and CWHEQ and the Issuing Trusts were passed through to CFC and consolidated into CFC's financial statements. Defendant CFC, therefore, exercised actual day-to-day control over Defendants CWALT, CWMBBS, CWABS, and CWHEQ.

39. Defendant **CWALT, Inc.** was, at times relevant to this Complaint, a Delaware corporation and a limited purpose financing subsidiary of CFC. CWALT's principal executive offices were located at 4500 Park Granada, Calabasas, California, the same location as CFC. Defendant CWALT served in the

role of the “Depositor” in the securitization of the Issuing Trusts as identified in **TAC Appendix Exhibit D** and was an “Issuer” of the Certificates within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(4), traceable to the following amended Registration Statements it filed with the SEC:

File No.	Amount Registered	Issuer	Date	No. of Offerings in TAC
333-110343	\$19,000,000,000	CWALT, Inc.	January 13, 2004	0
333-117949	\$24,126,942,035	CWALT, Inc.	September 23, 2004	0
333-123167	\$22,731,808,071	CWALT, Inc.	April 21, 2005	0
333-125902	\$45,335,287,290	CWALT, Inc.	July 25, 2005	2
333-131630	\$100,271,785,327	CWALT, Inc.	March 6, 2006	0
333-140962	\$103,095,483,061	CWALT, Inc.	April 24, 2007	0

Defendant CWALT was a named defendant in the Initial Luther Complaint, the Washington State Complaint, the Amended Luther Complaint, the Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC. These complaints alleged that CWALT’s conduct relating to the creation and sale of MBS violated the Securities Act. The claims asserted in this TAC as they relate to CWALT were tolled under the Countrywide Tolling Decision and the Countrywide MTD Decision for the Certificates set forth in **TAC Appendix Exhibits H & I**.

40. Defendant **CWHEQ, Inc.** was, at times relevant to this Complaint, a Delaware corporation and a limited purpose financing subsidiary of CFC. CWHEQ’s principal executive offices were located at 4500 Park Granada, Calabasas, California, the same location as CFC. Defendant CWHEQ served in the role of the “Depositor” in the securitization of the Issuing Trusts as identified in **TAC Appendix Exhibit D** and was an “Issuer” of the Certificates within the

meaning of the Securities Act, 15 U.S.C. § 77b(a)(4), traceable to the following amended Registration Statements it filed with the SEC:

File No.	Amount Registered	Issuer	Date	No. of Offerings in TAC
333-121378 <sup>2</sup>	\$20,000,000,000	CWHEQ, Inc.	December 17, 2004	0
333-126790	\$30,685,000,000	CWHEQ, Inc.	August 4, 2005	1
333-132375	\$26,572,949,813	CWHEQ, Inc.	April 12, 2006	1
333-139891	\$31,717,192,508	CWHEQ, Inc.	May 22, 2007	0

Defendant CWHEQ was a named defendant in the Washington State Complaint, the Amended Luther Complaint, the Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC. These complaints alleged that CWHEQ's conduct relating to the creation and sale of MBS violated the Securities Act. The claims asserted in this TAC as they relate to CWHEQ were tolled under the Countrywide Tolling Decision and the Countrywide MTD Decision for the Certificates set forth in **TAC Appendix Exhibits H & I**.

41. Defendant **CWABS, Inc.** was, at times relevant to this Complaint, a Delaware corporation and a limited purpose financing subsidiary of CFC. CWABS' principal executive offices were located at 4500 Park Granada, Calabasas, California, the same location as CFC. Defendant CWABS served in the role of the "Depositor" in the securitization of the Issuing Trusts as identified in **TAC Appendix Exhibit D** and was an "Issuer" of the Certificates within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(4), traceable to the following amended Registration Statements it filed with the SEC:

<sup>2</sup> There were no Offerings included in the FAC issued pursuant to this Shelf Registration Statement.

File No.	Amount Registered	Issuer	Date	No. of Offerings in SAC
333-118926	\$60,598,485,932	CWABS, Inc.	October 18, 2004	0
333-125164	\$46,598,657,434	CWABS, Inc.	June 10, 2005	2
333-131591	\$34,327,892,523	CWABS, Inc.	February 21, 2006	1
333-135846	\$40,000,000,000	CWABS, Inc.	August 8, 2006	1
333-140960	\$113,336,555,700	CWABS, Inc.	April 24, 2007	0

Defendant CWABS was a named defendant in the Washington State Complaint, the Amended Luther Complaint, the Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC. These complaints alleged that CWABS' conduct relating to the creation and sale of MBS violated the Securities Act. The claims asserted in this TAC as they relate to CWABS were tolled under the Countrywide Tolling Decision and the Countrywide MTD Decision for the Certificates set forth in **TAC Appendix Exhibits H & I**.

42. Defendant **CWMBS, Inc.** was, at times relevant to this Complaint, a Delaware corporation and a limited purpose financing subsidiary of CFC. CWMBS' principal executive offices were located at 4500 Park Granada, Calabasas, California, the same location as CFC. Defendant CWMBS served in the role of the "Depositor" in the securitization of the Issuing Trusts as identified in **SAC Appendix Exhibit D** and was an "Issuer" of the Certificates within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(4), traceable to the following amended Registration Statements it filed with the SEC:



File No.	Amount Registered	Issuer	Date	No. of Offerings in SAC
333-100418	\$14,978,548,884	CWMBS, Inc.	October 28, 2002	0
333-121249	\$20,863,464,518	CWMBS, Inc.	February 8, 2005	0
333-125963	\$40,742,304,251	CWMBS, Inc.	July 25, 2005	0
333-131662	\$60,846,662,430	CWMBS, Inc.	March 6, 2006	1
333-140958	\$144,647,113,029	CWMBS, Inc.	April 24, 2007	0

Defendant CWMBS was a named defendant in the Washington State Complaint, the Amended Luther Complaint, the Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC. These complaints alleged that CWMBS' conduct relating to the creation and sale of MBS violated the Securities Act. The claims asserted in this TAC as they relate to CWMBS were tolled under the Countrywide Tolling Decision and the Countrywide MTD Decision for the Certificates set forth in **TAC Appendix Exhibits H & I**.

43. CWALT, CWMBS, CWABS and CWHEQ are collectively referred to herein as the "Issuer Defendants."

### 3. The Underwriter Defendants

44. As set forth above, Defendant CSC is an affiliate of CFC, and acted as an underwriter for the Certificates identified in **TAC Appendix Exhibit E** within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(11), and drafted and disseminated the Prospectus Supplements pursuant to which the MBS were sold to Plaintiffs. As set forth above, Defendant CSC now operates as Bank of America. Defendant CSC, was a named defendant in the Initial Luther Complaint, the Washington State Complaint, the Amended Luther Complaint, the Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC. These complaints alleged that CSC's conduct relating to the creation and sale of MBS

1 violated the Securities Act. The claims asserted in this TAC as they relate to CSC  
2 were tolled under the Countrywide Tolling Decision and Countrywide MTD  
3 Decision for the Certificates set forth in **TAC Appendix Exhibits H & I.**

4 45. Defendant **Deutsche Bank Securities Inc.** (“Deutsche Bank”) acted  
5 as an underwriter for the Certificates identified in **SAC Appendix Exhibit E**  
6 within the meaning of the Securities Act, 15 U.S.C. § 77b(a)(11), and drafted and  
7 disseminated the Prospectus Supplements pursuant to which the MBS were sold to  
8 Plaintiffs. Defendant Deutsche Bank was a named defendant in the Initial Luther  
9 Complaint, the Washington State Complaint, the Amended Luther Complaint, the  
10 Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC.  
11 These complaints alleged that Deutsche Bank’s conduct relating to the creation and  
12 sale of MBS violated the Securities Act. The claims asserted in this TAC as they  
13 relate to Deutsche Bank were tolled under the Countrywide Tolling Decision and  
14 the Countrywide MTD Decision for the Certificates set forth in **TAC Appendix**  
15 **Exhibits H & I.**

16 46. Defendant **UBS Securities LLC** (“UBS”) acted as an underwriter for  
17 the MBS identified in **SAC Appendix Exhibit E** within the meaning of the  
18 Securities Act, 15 U.S.C. § 77b(a)(11), and drafted and disseminated the  
19 Prospectus Supplements pursuant to which the MBS were sold to Plaintiffs.  
20 Defendant UBS was a named defendant in the Initial Luther Complaint, the  
21 Washington State Complaint, the Amended Luther Complaint, the Consolidated  
22 Luther Complaint, the Federal Complaint, the FAC and the SAC. These  
23 complaints alleged that UBS’ conduct relating to the creation and sale of MBS  
24 violated the Securities Act. The claims asserted in this TAC as they relate to UBS  
25 were tolled under the Countrywide Tolling Decision and the Countrywide MTD  
26 Decision for the Certificates set forth in **TAC Appendix Exhibits H & I.**

27 47. Defendant **Morgan Stanley & Co., Inc.** (“Morgan Stanley”) acted as  
28 an underwriter for the Certificates identified in **SAC Appendix Exhibit E** within

1 the meaning of the Securities Act, 15 U.S.C. § 77b(a)(11), and drafted and  
2 disseminated the Prospectus Supplements pursuant to which the MBS were sold to  
3 Plaintiffs. Defendant Morgan Stanley was a named defendant in the Initial Luther  
4 Complaint, the Washington State Complaint, the Amended Luther Complaint, the  
5 Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC.  
6 These complaints alleged that Morgan Stanley's conduct relating to the creation  
7 and sale of MBS violated the Securities Act. The claims asserted in this TAC as  
8 they relate to Morgan Stanley were tolled under the Countrywide Tolling Decision  
9 and the Countrywide MTD Decision for the Certificates set forth in **TAC**  
10 **Appendix Exhibits H & I.**

11 48. Defendant **Goldman, Sachs & Co.** ("Goldman Sachs") acted as an  
12 underwriter for the Certificates identified in **SAC Appendix Ex. E** within the  
13 meaning of the Securities Act, 15 U.S.C. § 77b(a)(11), and drafted and  
14 disseminated the Prospectus Supplements pursuant to which the MBS were sold to  
15 Plaintiffs. Defendant Goldman Sachs was a named defendant in the Initial Luther  
16 Complaint, the Washington State Complaint, the Amended Luther Complaint, the  
17 Consolidated Luther Complaint, the Federal Complaint, the FAC and the SAC.  
18 These complaints alleged that Goldman Sachs' conduct relating to the creation and  
19 sale of MBS violated the Securities Act. The claims asserted in this TAC as they  
20 relate to Goldman Sachs were tolled under the Countrywide Tolling Decision and  
21 the Countrywide MTD Decision for the Certificates set forth in **TAC Appendix**  
22 **Exhibits H & I.**

23 49. Defendant **RBS Securities Inc. f/k/a RBS Greenwich Capital d/b/a**  
24 **Greenwich Capital Markets, Inc.** ("RBS") acted as an underwriter for the  
25 Certificates identified in **SAC Appendix Exhibit E** within the meaning of the  
26 Securities Act, 15 U.S.C. § 77b(a)(11), and drafted and disseminated the  
27 Prospectus Supplements pursuant to which the MBS were sold to Plaintiffs.  
28 Defendant RBS was a named defendant in the Initial Luther Complaint, the

1 Washington State Complaint, the Amended Luther Complaint, the Consolidated  
2 Luther Complaint, the Federal Complaint, the FAC and the SAC. These  
3 complaints alleged that RBS' conduct relating to the creation and sale of MBS  
4 violated the Securities Act. The claims asserted in this TAC as they relate to RBS  
5 were tolled under the Countrywide Tolling Decision and the Countrywide MTD  
6 Decision for the Certificates set forth in **TAC Appendix Exhibits H & I.**

7 50. Defendant **HSBC Securities (USA) Inc.** ("HSBC") acted as an  
8 underwriter for the Certificates identified in **SAC Appendix Exhibit E** within the  
9 meaning of the Securities Act, 15 U.S.C. § 77b(a)(11), and drafted and  
10 disseminated the Prospectus Supplements pursuant to which the MBS were sold to  
11 Plaintiffs. Defendant HSBC was a named defendant in the Washington State  
12 Complaint, the Amended Luther Complaint, the Consolidated Luther Complaint,  
13 the Federal Complaint, the FAC and the SAC. These complaints alleged that  
14 HSBC's conduct relating to the creation and sale of MBS violated the Securities  
15 Act. The claims asserted in this TAC as they relate to HSBC were tolled under the  
16 Countrywide Tolling Decision and the Countrywide MTD Decision for the  
17 Certificates set forth in **TAC Appendix Exhibits H & I.**

18 51. Defendants CSC, Deutsche Bank, UBS, Morgan Stanley, Goldman  
19 Sachs, RBS, Barclays and HSBC are referred to herein as the "Underwriter  
20 Defendants." "Underwriter Defendants" also includes Defendant Bank of America  
21 as successor in interest as set forth above. Furthermore, Defendants CSC and UBS  
22 are referred to herein at times as the "**Section 12 Underwriter Defendants.**"

#### 23 **4. The Individual Defendants**

24 52. Defendant **Stanford L. Kurland** ("Kurland") was, at relevant times,  
25 the Chief Executive Officer ("CEO"), President and Chairman of the Board of  
26 Directors for CWALT, CWMBBS, CWABS and CWHEQ. Defendant Kurland  
27 signed all seven (7) Shelf Registration Statements at issue herein. Defendant  
28 Kurland was concurrently the Executive Vice President and Chief Operating

1 Officer (“COO”) of Defendant CFC. Defendant Kurland was a named defendant  
2 in the Initial Luther Complaint, the Washington State Complaint, the Amended  
3 Luther Complaint, the Consolidated Luther Complaint, the Federal Complaint, the  
4 FAC and the SAC. These complaints alleged that Kurland’s conduct relating to  
5 the creation and sale of MBS violated the Securities Act. The claims asserted in  
6 this TAC as they relate to Kurland were tolled under the Countrywide Tolling  
7 Decision and the Countrywide MTD Decision for the Certificates set forth in **TAC**  
8 **Appendix Exhibits H & I.**

9 53. Defendant **David A. Spector** (“Spector”) was, at relevant times, Vice  
10 President and a member of the Board of Directors for CWALT, CWMB, CWABS  
11 and CWHEQ. Defendant Spector signed all seven (7) Shelf Registration  
12 Statements at issue herein. Defendant Spector was concurrently the Senior  
13 Managing Director of Secondary Marketing of Defendant CFC. Defendant  
14 Spector was a named defendant in the Initial Luther Complaint, the Washington  
15 State Complaint, the Amended Luther Complaint, the Consolidated Luther  
16 Complaint, the Federal Complaint, the FAC and the SAC. These complaints  
17 alleged that Spector’s conduct relating to the creation and sale of MBS violated the  
18 Securities Act. The claims asserted in this TAC as they relate to Spector were  
19 tolled under the Countrywide Tolling Decision and the Countrywide MTD  
20 Decision for the Certificates set forth in **TAC Appendix Exhibits H & I.**

21 54. Defendant **Eric P. Sieracki** (“Sieracki”) was, at relevant times, the  
22 Executive Vice President, CFO, Treasurer and member of the Board of Directors  
23 for CWALT, CWMB, CWABS and CWHEQ. Defendant Sieracki signed all  
24 seven (7) Shelf Registration Statements at issue herein. Defendant Sieracki was  
25 concurrently the Executive Vice President and CFO of Defendant CFC. Defendant  
26 Sieracki was a named defendant in the Initial Luther Complaint, the Washington  
27 State Complaint, the Amended Luther Complaint, the Consolidated Luther  
28 Complaint, the Federal Complaint, the FAC and the SAC. These complaints

1 alleged that Sieracki's conduct relating to the creation and sale of MBS violated  
2 the Securities Act. The claims asserted in this TAC as they relate to Sieracki were  
3 tolled under the Countrywide Tolling Decision and the Countrywide MTD  
4 Decision for the Certificates set forth in **TAC Appendix Exhibits H & I.**

5 55. Defendants Kurland, Spector and Sieracki, are collectively referred to  
6 hereinafter as the "Individual Defendants."

7 **5. David A. Sambol**

8 56. Defendant David A. Sambol ("Sambol") was, at relevant times, the  
9 President and COO of Defendant CFC. Defendant Sambol was a control person of  
10 the Countrywide Defendants and the Issuing Defendants. Defendant Sambol was a  
11 named defendant in the Washington State Complaint, the Amended Luther  
12 Complaint, the Consolidated Luther Complaint, the Federal Complaint, the FAC  
13 and the SAC. These complaints alleged that Sambol's role relating to the creation  
14 and sale of MBS violated the Securities Act. The claims asserted in this TAC as  
15 they relate to Sambol were tolled under the Countrywide Tolling Decision and the  
16 Countrywide MTD Decision for the Certificates set forth in **TAC Appendix**  
17 **Exhibits H & I.**

18 **C. The Issuing Trust Non-Parties**

19 57. The Issuing Trusts were set up by Defendants CWALT, CWMB, S,  
20 CWABS and CWHEQ to issue hundreds of billions of dollars worth of Certificates  
21 pursuant to the Offering Documents. **Exhibits D and E** of the TAC Appendix,  
22 annexed hereto, identify (1) each Issuing Trust, (2) the stated value of the  
23 Certificates it issued, (3) the Registration Statements and Prospectus Supplements  
24 pursuant to which the Certificates were issued and sold, and (4) the identities of the  
25 Underwriters, Sponsor/Seller, and Depositor/Issuer for each issuance.

26 **V. TOLLING OF THE STATUTE OF LIMITATIONS**

27 **A. Defendant CWALT Offerings**

28 58. Defendant CWALT issued \$163,499,734,519.00 of Countrywide



MBS in 226 separate Offerings between January 2005 and December 2007 pursuant to six Shelf Registration Statements, Original Basic Prospectuses and later-filed Prospectus Supplements as set forth above in ¶39, in the SAC at ¶41 and in the FAC at ¶34. The Luther Consolidated Complaint, the Federal Complaint and the FAC all included claims on behalf of 226 CWALT Offerings issued between January 2005 and December 2007. **See TAC Appendix Exhibit G.**

59. Pursuant to the Court's November 4, 2010 Countrywide Tolling Decision, the allegations set forth in the FAC were limited to those Offerings which the Luther Plaintiffs had standing to pursue while the case was pending in California state court. As a result, Plaintiffs maintained standing in the SAC to pursue Securities Act claims on two (2) Countrywide MBS Offerings issued pursuant to one (1) CWALT Registration Statement.

60. Pursuant to the Court's May 5, 2011 Countrywide MTD Decision, the allegations set forth herein are limited to those "tranches" of Certificates which the Luther Plaintiffs had standing to pursue while the case was pending in California state court. As a result, Plaintiffs maintain standing to pursue Securities Act claims on one (1) tranche of Certificates in each of two (2) Countrywide MBS Offerings issued pursuant to one (1) CWALT Registration Statement, as set forth in detail below.

61. As set forth below, and also in the Certification annexed hereto, OPERS purchased the **CWALT 2005-62 ("2005-62"), Class 2A1 Certificates**, pursuant and traceable to the misleading Offering Documents:

Certificates Purchased	Units Purchased	Price Per Unit	Date of Purchase	Purchased From
CWALT 2005-62, Class 2A1	8,446,540.84	\$1.0003	August 4, 2006	Deutsche Bank

Plaintiff OPERS was named as a representative Plaintiff in the Federal Action for the first time on July 13, 2010 when the FAC was filed. OPERS' Section 11 and 15 claims on behalf of all purchasers of the 2005-62, Class 2A1 Certificates were



tolled in accordance with the Countrywide Tolling Decision and Countrywide MTD Decision since at least June 12, 2008 when Washington State was named as a plaintiff in the Washington State Complaint. According to the Certification filed with its motion for lead plaintiff on April 2, 2010, Washington State purchased the 2005-62, Class 2A1 Certificates and had standing to assert Securities Act claims in connection therewith. Each complaint filed subsequent to the Washington State Complaint, including the Amended Luther Complaint, the Luther Consolidated Complaint, the Federal Complaint, the FAC and the SAC, included a named plaintiff that had standing to assert the 2005-62, Class 2A1 Claims. *See TAC Appendix Exhibit H.* As such, Plaintiff OPERS derives tolling from Washington State's standing to pursue those claims. *See TAC Appendix Exhibit I.* As of the date of the filing of the Federal Action in January 2010, the value of the Certificates had diminished considerably, and according to OPERS' custodial statements, was priced at \$0.5718, causing OPERS to suffer injury as a result.

62. As set forth below, and also in the Certification annexed hereto, OPERS purchased the **CWALT 2005-72 ("2005-72"), Class A1 Certificates, on the Offering and directly from the underwriter**, Defendant UBS, pursuant to the misleading Offering Documents:

Certificates Purchased	Units Purchased	Price Per Unit	Date of Purchase	Purchased From
CWALT 2005-72, Class A1	16,930,000.00	\$1.0000	November 21, 2005	UBS
CWALT 2005-72, Class A1	13,024,000.00	\$1.0000	December 15, 2005	UBS

Plaintiff OPERS was named as a representative Plaintiff in the Federal Action for the first time on July 13, 2010 when the FAC was filed. OPERS' Sections 12(a)(2) and 15 claims on behalf of all purchasers of the 2005-72, Class A1 Certificates were tolled in accordance with the Countrywide Tolling Decision and Countrywide MTD Decision since at least September 9, 2008 when PTOE was added as a

1 named plaintiff to the Amended Luther Complaint. According to the Certification  
2 filed with its motion for lead plaintiff on April 2, 2010, PTOE purchased the 2005-  
3 72, Class A1 Certificates and had standing to assert Securities Act claims in  
4 connection therewith. Each complaint filed subsequent to the Amended Luther  
5 Complaint, including the Luther Consolidated Complaint, the Federal Complaint,  
6 the FAC and the SAC, included a named plaintiff that had standing to assert the  
7 2005-72, Class A1 Claims. **See TAC Appendix Exhibit H.** As such, Plaintiff  
8 OPERS derives tolling from PTOE's standing to pursue those claims. **See TAC**  
9 **Appendix Exhibit I.** As of the date of the filing of the Federal Action in January  
10 2010, the value of the Certificates had diminished considerably, and according to  
11 OPERS' custodial statements, was priced at \$0.6001, causing OPERS to suffer  
12 injury as a result.

13 **B. Defendant CWHEQ Offerings**

14 63. Defendant CWHEQ issued \$50,303,553,300.00 of Countrywide MBS  
15 in 39 separate Offerings between August 26, 2005 and August 14, 2007 pursuant to  
16 four Shelf Registration Statements, Original Basic Prospectuses and later-filed  
17 Prospectus Supplements as set forth above in ¶40, in the SAC at ¶42 and in the  
18 FAC at ¶35. All 39 Offerings were included for the first time in the Washington  
19 State Complaint. **See TAC Appendix Exhibit G.**

20 64. Pursuant to the Court's Countrywide Tolling Decision, the allegations  
21 set forth in the SAC were limited to those CWHEQ Offerings which the Luther  
22 Plaintiffs had standing to pursue while the case was pending in California state  
23 court. As a result, Plaintiffs maintained standing in the SAC to pursue Securities  
24 Act claims on three (3) Countrywide MBS Offerings issued pursuant to two (2)  
25 CWHEQ Registration Statements.

26 65. Pursuant to the Court's May 5, 2011 Countrywide MTD Decision, the  
27 allegations set forth herein are limited to those "tranches" of Certificates which the  
28 Luther Plaintiffs had standing to pursue while the case was pending in California

1 state court. As a result, Plaintiffs maintain standing to pursue Securities Act claims  
2 on one (1) tranche of Certificates in each of two (2) Countrywide MBS Offerings  
3 issued pursuant to two (2) CWHEQ Registration Statements, as set forth in detail  
4 below.

5 66. As set forth below, and also in the Certification annexed hereto,  
6 OPERS purchased the **CWL 2005-H (“2005-H”), Class 2A Certificates on the**  
7 ***Offering and directly from the Underwriter***, Defendant CSC, pursuant to the  
8 misleading Offering Documents:

Certificates Purchased	Units Purchased	Price Per Unit	Date of Purchase	Purchased From
CWL 2005- H, Class 2A	1,200,000	\$1.0000	September 27, 2005	CSC

12 Plaintiff OPERS was named as a representative Plaintiff in the Federal Action for  
13 the first time on July 13, 2010 when the FAC was filed. OPERS’ Sections 12(a)(2)  
14 and 15 claims on behalf of all purchasers of the 2005-H Certificates were tolled in  
15 accordance with the Countrywide Tolling Decision and Countrywide MTD  
16 Decision since at least September 9, 2008 when PTOE was added as a named  
17 plaintiff to the Amended Luther Complaint. According to the Certification filed  
18 with its motion for lead plaintiff on April 2, 2010, PTOE purchased the 2005-H,  
19 Class 2A Certificates and had standing to assert Securities Act claims in  
20 connection therewith. Each complaint filed subsequent to the Amended Luther  
21 Complaint, including the Luther Consolidated Complaint, the Federal Complaint,  
22 the FAC and the SAC, included a named plaintiff that had standing to assert the  
23 2005-H, Class 2A Claims. **See TAC Appendix Exhibit H.** As such, Plaintiff  
24 OPERS derives tolling from PTOE’s standing to pursue those claims. **See TAC**  
25 **Appendix Exhibit I.** OPERS disposed of the 2005-H, Class 2A Certificates in  
26 the open market on October 19, 2007 at a price of \$0.9700, and suffered injury as a  
27 result.

28 67. As set forth below, and also in the Certification annexed hereto,

IPERS purchased the **CWL 2006-S3 (“2006-S3”), Class A2 Certificates, on the Offering and directly from the Underwriter**, Defendant CSC, pursuant to the misleading Offering Documents:

Certificates Purchased	Units Purchased	Price Per Unit	Date of Purchase	Purchased From
CWL 2006-S3, Class A2	1,999,956.46	\$1.0000	June 16, 2006	CSC

Lead Plaintiff IPERS was named as a representative Plaintiff in the Federal Action for the first time on July 13, 2010, when the FAC was filed. IPERS’ Sections 11, 12(a)(2) and 15 claims on behalf of all purchasers of the 2006-S3, Class A2 Certificates were tolled in accordance with the Countrywide Tolling Decision and Countrywide MTD Decision since at least September 9, 2008 when Vermont was added as a named plaintiff to the Amended Luther Complaint. According to the Certification filed with its motion for lead plaintiff on April 2, 2010, Vermont purchased the 2006-S3, Class A2 Certificates and had standing to assert Securities Act claims in connection therewith. Each complaint filed subsequent to the Amended Luther Complaint, the Luther Consolidated Complaint, the Federal Complaint, the FAC and the SAC, included a named plaintiff that had standing to assert the 2006-S3, Class A2 Claims. **See TAC Appendix Exhibit H.** As such, IPERS derives tolling from Vermont’s standing to pursue those claims. **See TAC Appendix Exhibit I.** As of the date of the filing of the Federal Action in January 2010, the value of the Certificates had diminished considerably, and according to IPERS’ custodial statements, was priced at \$0.6300, causing IPERS to suffer injury as a result.

### **C. Defendant CWABS Offerings**

68. Defendant CWABS issued \$82,129,061,400.00 of Countrywide MBS in 76 separate Offerings between June 2005 and October 2007 pursuant to four Shelf Registration Statements, Original Basic Prospectuses and later-filed Prospectus Supplements as set forth above in ¶41, in the SAC at ¶43 and in the

FAC at ¶36. All 76 Offerings were included, for the first time, in the Washington State Complaint and thereafter included in the Luther Amended Complaint, Consolidated Luther Complaint, Federal Complaint, the FAC and SAC. *See TAC Appendix Exhibit G.*

69. Pursuant to the Court's Countrywide Tolling Decision, the allegations set forth in the SAC were limited to those CWABS Offerings which the Luther Plaintiffs had standing to pursue while the case was pending in California state court. As a result, Plaintiffs maintained standing in the SAC to pursue Securities Act claims on eight (8) Countrywide MBS Offerings issued pursuant to three (3) CWABS Registration Statements.

70. Pursuant to the Court's May 5, 2011 Countrywide MTD Decision, the allegations set forth herein are limited to those "tranches" of Certificates which the Luther Plaintiffs had standing to pursue while the case was pending in California state court. As a result, Plaintiffs maintain standing to pursue Securities Act claims on one (1) tranche of Certificates in each of four (4) Countrywide MBS Offerings issued pursuant to three (3) CWABS Registration Statements, as set forth in detail below.

71. As set forth below, and also in the Certification annexed hereto, GBPHB purchased the **CWL 2005-11 ("2005-11"), Class AF3 Certificates, on the Offering and directly from the Underwriter**, Defendant CSC, pursuant to the misleading Offering Documents:

Certificates Purchased	Units Purchased	Price Per Unit	Date of Purchase	Purchased From
CWL 2005-11, Class AF3	1,000,000.00	\$1.0000	September 12, 2005	CSC

Plaintiff GBPHB was named as a representative Plaintiff in the Federal Action for the first time on July 13, 2010 when the FAC was filed. GBPHB's Sections 12(a)(2) and 15 claims on behalf of all purchasers of the 2005-11, Class AF3 Certificates were tolled in accordance with the Countrywide Tolling Decision and

Countrywide MTD Decision since at least September 9, 2008 when PTOE was added as a named plaintiff to the Amended Luther Complaint. According to the Certification filed with its motion for lead plaintiff on April 2, 2010, PTOE purchased the 2005-11, Class AF3 Certificates and had standing to assert Securities Act claims in connection therewith. Each complaint filed subsequent to the Amended Luther Complaint, including the Luther Consolidated Complaint, the Federal Complaint, the FAC and the SAC, included a named plaintiff that had standing to assert the 2005-11, Class AF3 Claims. **See TAC Appendix Exhibit H.** As such, Plaintiff GBPHB derives tolling from PTOE's standing to pursue those claims. **See TAC Appendix Exhibit I.** GBPHB disposed of the 2005-11 Certificates in the open market on September 28, 2009 at a price of \$0.7500, and suffered injury as a result.

72. As set forth below, and also in the Certification annexed hereto, OCERS purchased the **CWHL 2005-HYB9 ("2005-HYB9"), Class 3A2A Certificates, on the Offering and directly from the Underwriter**, Defendant CSC, pursuant to the misleading Offering Documents:

Certificates Purchased	Units Purchased	Price Per Unit	Date of Purchase	Purchased From
CWHL 2005-HYB9, Class 3A2A	400,000.00	\$0.9972	November 28, 2005	CSC

Plaintiff OCERS was named as the Lead Plaintiff in the Federal Action for the first time on July 13, 2010 when the FAC was filed. OCERS' Section 12(a)(2) and Section 15 claims on behalf of all purchasers of the 2005-HYB9, Class 3A2A Certificates were tolled in accordance with the Countrywide Tolling Decision and Countrywide MTD Decision since at least October 16, 2008 when Maine was added as a named plaintiff to the Luther Consolidated Complaint. According to the Certification filed with its motion for lead plaintiff on April 2, 2010, Maine purchased the 2005-HYB9, Class 3A2A Certificates and had standing to assert Securities Act claims in connection therewith. Each complaint filed subsequent to



the Luther Consolidated Complaint, including the Federal Complaint, the FAC and the SAC, included a named plaintiff that had standing to assert the 2005-HYB9, Class 3A2A Claims. **See TAC Appendix Exhibit H.** As such, Plaintiff OCERS derives tolling from Maine's standing to pursue those claims. **See TAC Appendix Exhibit I.** As of the date of the filing of the Federal Action in January 2010, the value of the Certificates had diminished considerably, and according to OCERS' custodial statements, was priced at \$0.6772, causing OCERS to suffer injury as a result.

73. As set forth below, and also in the Certification annexed hereto, GBPHB purchased the **CWL 2006-9 ("2006-9"), Class 1AF3 Certificates**, pursuant and traceable to the misleading Offering Documents:

Certificates Purchased	Units Purchased	Price Per Unit	Date of Purchase(s)	Purchased From
CWL 2006-9, Class 1AF3	1,000,000.00	\$1.0048	April 27, 2007	BOAS

Plaintiff GBPHB was named as a representative Plaintiff in the Federal Action for the first time on July 13, 2010 when the FAC was filed. GBPHB's Sections 11 and 15 claims on behalf of all purchasers of the 2006-9, Class 1AF3 Certificates were tolled in accordance with the Countrywide Tolling Decision and Countrywide MTD Decision since at least September 9, 2008 when Vermont was added as an additional named plaintiff to the Amended Luther Complaint. According to the Certification filed with its motion for lead plaintiff on April 2, 2010, Vermont purchased the 2006-9, Class 1AF3 Certificates and had standing to assert Securities Act claims in connection therewith. Each complaint filed subsequent to the Amended Luther Complaint, including the Luther Consolidated Complaint, the Federal Complaint, the FAC and the SAC, included a named plaintiff that had standing to assert the 2006-9, Class 1AF3 Claims. **See TAC Appendix Exhibit H.** As such, Plaintiff GBPHB derives tolling from Vermont's standing to pursue those claims. **See TAC Appendix Exhibit I.** GBPHB disposed of the 2006-9



Class 1AF3 Certificates in the open market on April 15, 2009 at a price of \$0.3075, and suffered injury as a result.

74. As set forth below, and also in the Certification annexed hereto, GBPHB purchased the **CWL 2006-24 (“2006-24”), Class 2A1 Certificates**, pursuant and traceable to the misleading Offering Documents:

Certificates Purchased	Units Purchased	Price Per Unit	Date of Purchase(s)	Purchased From
CWL 2006-24, Class 2A1	385,809.66	\$0.9927	October 12, 2007	Morgan Stanley

Plaintiff GBPHB was named as a representative Plaintiff in the Federal Action for the first time on July 13, 2010 when the FAC was filed. GBPHB’s Sections 11 and 15 claims on behalf of all purchasers of the 2006-24, Class 2A1 Certificates were tolled in accordance with the Countrywide Tolling Decision and Countrywide MTD Decision since at least September 9, 2008 when Vermont was added as an additional named plaintiff to the Amended Luther Complaint. According to the Certification filed with its motion for lead plaintiff on April 2, 2010, Vermont purchased the 2006-24, Class 2A1 Certificates and had standing to assert Securities Act claims in connection therewith. Each complaint filed subsequent to the Amended Luther Complaint, including the Luther Consolidated Complaint, the Federal Complaint, the FAC and the SAC, included a named plaintiff that had standing to assert the 2006-24, Class 2A1 Claims. **See TAC Appendix Exhibit H.** As such, Plaintiff GBPHB derives tolling from Vermont’s standing to pursue those claims. **See TAC Appendix Exhibit I.** As of the date of the filing of the Federal Action in January 2010, the value of the Certificates had diminished considerably, and according to GBPHB’s custodial statements, was priced at \$0.9428, causing GBPHB to suffer injury as a result.

#### **D. Defendant CWMBS Offerings**

75. Defendant CWMBS issued \$56,178,680,394 of Countrywide MBS in 87 separate Offerings between June 2005 and October 2007 pursuant to five Shelf

Registration Statements, Original Basic Prospectuses and later-filed Prospectus Supplements as set forth above in ¶42, in the SAC at ¶44 herein and in the FAC at ¶37. All 87 Offerings were included, for the first time, in the Washington State Complaint and thereafter included in the Luther Amended Complaint, Consolidated Luther Complaint, Federal Complaint and FAC. *See TAC Appendix Exhibit G.*

76. Pursuant to the Court's Countrywide Tolling Decision, the allegations set forth in the SAC were limited to those CWMBBS Offerings which the Luther Plaintiffs had standing to pursue while the case was pending in California state court. As a result, Plaintiffs maintained standing in the SAC to pursue Securities Act claims on one (1) Countrywide MBS Offering issued pursuant to one (1) CWMBBS Registration Statement, as set forth in detail below.

77. Pursuant to the Court's May 5, 2011 Countrywide MTD Decision, the allegations set forth herein are limited to those "tranches" of Certificates which the Luther Plaintiffs had standing to pursue while the case was pending in California state court. As a result, Plaintiffs maintain standing to pursue Securities Act claims on one (1) tranche of Certificates in one (1) Countrywide MBS Offerings issued pursuant to one (1) CWABS Registration Statement, as set forth in detail below.

78. As set forth below, and also in the Certification annexed hereto, OPERS purchased the **CWHL 2006-HYB3 ("2006-HYB3"), Class 2A1A Certificates**, pursuant and traceable to the misleading Offering Documents:

Certificates Purchased	Units Purchased	Price Per Unit	Date of Purchase(s)	Purchased From
CWHL 2006-HYB3, Class 2A1A	1,076,000.00	\$1.0002	April 27, 2006	Credit Suisse Securities, LLC
CWHL 2006-HYB3, Class 2A1A	154,493.47	\$0.9919	August 21, 2007	CSC

Plaintiff OPERS was named as a representative Plaintiff in the Federal Action for the first time on July 13, 2010 when the FAC was filed. OPERS' Sections 11 and

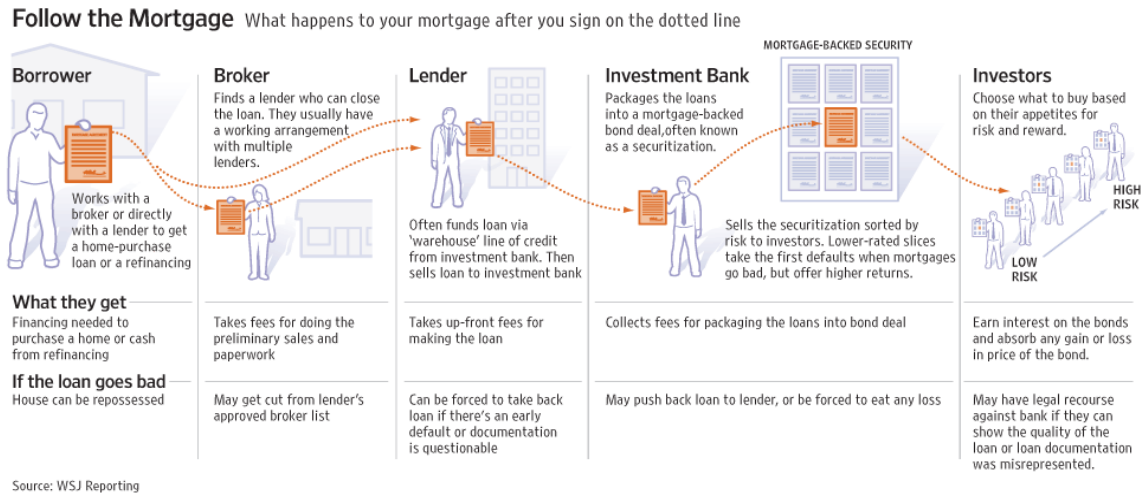
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1 15 claims on behalf of all purchasers of the 2006-HYB3, Class 2A1A Certificates  
2 were tolled in accordance with the Countrywide Tolling Decision and Countrywide  
3 MTD Decision since at least June 12, 2008 when Washington State was named as  
4 a plaintiff in the Washington State Complaint. According to the Certification filed  
5 with its motion for lead plaintiff on April 2, 2010, Washington State purchased the  
6 2006-HYB3, Class 2A1A Certificates and had standing to assert Securities Act  
7 claims in connection therewith. Each complaint filed subsequent to the  
8 Washington State Complaint, including the Amended Luther Complaint, the  
9 Luther Consolidated Complaint, the Federal Complaint, the FAC and the SAC,  
10 included a named plaintiff that had standing to assert the 2006-HYB3, Class 2A1A  
11 Claims. **See TAC Appendix Exhibit H.** As such, Plaintiff OPERS derives tolling  
12 from Washington State's standing to pursue those claims. **See TAC Appendix**  
13 **Exhibit I.** As of the date of the filing of the Federal Action in January 2010, the  
14 value of the Certificates had diminished considerably, and according to OPERS'  
15 custodial statements, was priced at \$0.6877, causing OPERS to suffer injury as a  
16 result.

## 17 **VI. BACKGROUND**

### 18 **A. Countrywide Was a Leading Issuer and Underwriter of** 19 **Mortgage-Backed Securities**

20 79. As illustrated below, a mortgage securitization is where mortgage  
21 loans are acquired, pooled together, and then sold to investors, who acquire rights  
22 in the income flowing from the mortgage pools.  
23  
24  
25  
26  
27  
28



80. When mortgage borrowers make interest and principal payments, the cash flow is distributed to the holders of MBS certificates in order of priority, based on the specific tranche held. The highest tranche (also referred to as the senior tranche) is first to receive its share of the mortgage proceeds and is also the last to absorb any losses should mortgage borrowers become delinquent or default on their mortgages. Because the lower tranches are designed to provide a cushion, diminished cash flows to the lower tranches results in impaired value of the higher tranches, as, among other reasons, there is less certainty of the continued cash flows to the higher tranches.

81. The securitization of loans fundamentally shifts the risk of loss from mortgage loan originators to investors who purchase an interest in the securitized pool of loans. When the originator holds a mortgage through the term of the loan, it profits from the borrower's payment of interest and repayment of principal, but it also bears the risk of loss if the borrower defaults and the property value is not sufficient to repay the loan. As a result, traditionally, the originator was economically vested in establishing the creditworthiness of the borrower and the true value of the underlying property through appraisal before issuing the mortgage loans. In securitizations where the originator immediately sells the loan to an investment bank, it does not have the same economic interest in establishing

1 borrower creditworthiness or a fair appraisal value of the property in the loan  
2 origination process.

3 82. In the 1980s and 1990s, securitizations were generally within the  
4 domain of Government Sponsored Enterprises (“GSE”), *i.e.*, the Federal National  
5 Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage  
6 Corporation (“Freddie Mac”), which would purchase loans from originators.  
7 Investors in these early GSE securitizations were provided protections since the  
8 underlying loans were originated pursuant to strict underwriting guidelines.

9 83. Between 2001 and 2006, however, there was dramatic growth in non-  
10 GSE loan originations and securitizations such that non-GSE securitizations grew  
11 330%, becoming a \$1.48 trillion industry.

12 84. The market for adjustable rate mortgages (“ARMs”), including  
13 interest-only and negative amortization loans, grew concurrently with the boom in  
14 subprime and Alt-A loan originations and securitizations. ARMs increased from  
15 \$355 billion in 2001 to \$1.3 trillion in 2006. Mortgage Market Statistical Annual,  
16 Vol. 1 (2007), at 4. Such growth coincided with the increase in popularity of so-  
17 called “exotic” or non-traditional ARMs which had fixed interest rates for a limited  
18 period before “resetting” during the life of the loan to significantly higher  
19 adjustable rates. These non-traditional ARMs included “2/28 or 3/27 ARMs”  
20 (many with below-market teaser rates for two or three years before conversion to  
21 the fully-indexed rate); interest-only ARMs (permitting interest-only payments for  
22 a set period of time during which the rate may fluctuate, resulting in negative  
23 amortization and rising principal); option payment ARMs (offering up to four  
24 payment options, including minimum and interest-only payments, which, if  
25 chosen, result in negative amortization and rising principal); and 40-year ARMs (in  
26 which payments are calculated based on a 40-year payment term but where the  
27 loan terminates in 30 years, resulting in a final balloon payment). Origination of  
28 non-traditional ARMs increased 278% between 2004 and 2006 – from \$205 billion

1 to \$775 billion. Mortgage Market Statistical Annual, Vol. 1 (2007), at 6.

2 85. Here, the Certificate collateral was composed of a substantial number  
3 of non-traditional adjustable mortgages, interest-only and negative amortization  
4 loans. These types of loans presented the greatest potential for “payment shock” to  
5 the borrower since they provided for initially small monthly payments based on  
6 low fixed rates which then reset thereafter to significantly higher monthly payment  
7 amounts based on adjustable interest rates. Although these loans were not  
8 traditional, the underwriting guidelines still required the loans to be originated  
9 responsibly and in accordance with those guidelines. Yet, Countrywide would  
10 routinely provide loans to borrowers who could only afford the short-term “teaser”  
11 rates (or, even to those that could not even afford the teaser rates) – not the full  
12 payments that would be required after the short-term rates reset. Although these  
13 types of loans were designed for high net worth investors who were capable of  
14 earning higher returns through investment than in making interest and principal  
15 payments upfront, Countrywide routinely sold these loans to unsophisticated  
16 borrowers who were unable to make the required payments after the loans reset –  
17 and frequently, to those who could not even make the “teaser” payments, leading  
18 to early defaults on the loans.

19 **B. Countrywide’s Origination and Securitization Operations**

20 86. CFC set up Defendants CWALT, CWMBS, CWABS, and CWHEQ,  
21 the Depositors in this case, as “limited purpose finance entities” solely for the  
22 purpose of facilitating the issuance of the Certificates. CHL acted as the servicer  
23 of the mortgages and CSC, Countrywide’s underwriting division, along with the  
24 other Underwriter Defendants, marketed and sold the securities. Although  
25 Defendants CWALT, CWMBS, CWABS, and CWHEQ served as the Depositors  
26 for the Issuing Trusts and issued the Registration Statements, this process was  
27 directed and controlled by the Countrywide Defendants, the Individual Defendants,  
28 and Sambol.



1           87. With respect to the Certificates at issue here, the Registration  
2 Statements and each of the Prospectus Supplements contained material  
3 misstatements concerning, *inter alia*, the quality of the loans supporting the MBS  
4 associated with each trust, including, specifically, statements about (1) the  
5 underwriting process and standards by which mortgages held by the Issuing Trusts  
6 were originated, and (2) the values of the real estate securing the mortgages pooled  
7 in the Issuing Trusts, expressed in part as the average LTV ratios of the underlying  
8 mortgages and the appraisal standards by which such real estate values were  
9 obtained.

10           88. Each MBS sold to Plaintiffs was sold pursuant to a Registration  
11 Statement. The Prospectus Supplements, which were filed at the time that the  
12 Certificates were sold to Plaintiffs, incorporated by reference each of the  
13 Registration Statements they were issued pursuant to. The Prospectus  
14 Supplements contained specific disclosures concerning each Issuing Trust.  
15 Nonetheless, in each Prospectus Supplement, as set forth herein, the Issuer  
16 Defendants and the Underwriter Defendants made the same representations  
17 concerning CHL's standards in originating the mortgages and valuing the  
18 properties underlying the Issuing Trusts.

19           89. CWALT filed six Registration Statements with the SEC, *see TAC*  
20 **Appendix Exhibit F**, registering mortgage-backed securities backed primarily by:

- 21           a) first lien mortgage loans secured by one- to four-family residential  
22 properties;
- 23           b) mortgage loans secured by first liens on small multi-family residential  
24 properties, such as residential apartment buildings or projects  
25 containing five to fifty residential units;
- 26           c) collections arising from one or more types of the loans described  
27 above which are not used to make payments on securities issued by a  
28 trust fund, including excess servicing fees and prepayment charges;

1 d) mortgage pass-through securities issued or guaranteed by Ginnie Mae,  
2 Fannie Mae, or Freddie Mac; or

3 e) mortgage-backed securities evidencing an interest in, or secured by,  
4 loans of the type that would otherwise be eligible to be loans included  
5 in a trust fund and issued by entities other than Ginnie Mae, Fannie  
6 Mae, or Freddie Mac.

7 90. CWHEQ filed four Registration Statements with the SEC, *see* **TAC**  
8 **Appendix Exhibit F**, registering mortgage-backed securities backed primarily by:

9 a) first lien mortgage loans secured by first and/or subordinate liens on  
10 one- to four-family residential properties;

11 b) closed-end and/or revolving home equity loans, secured in whole or in  
12 part by first and/or subordinate liens on one- to four-family residential  
13 properties; or

14 c) home improvement loans, secured by first or subordinate liens on one-  
15 to four-family residential properties or by personal property security  
16 interests, and home improvement sales contracts, secured by personal  
17 property security interests.

18 91. CWABS filed five Registration Statements with the SEC *see* **TAC**  
19 **Appendix Exhibit F**, registering mortgage-backed securities backed primarily by:

20 a) first lien mortgage loans secured by one- to four-family residential  
21 properties;

22 b) mortgage loans secured by first liens on small multi-family residential  
23 properties, such as residential apartment buildings or projects  
24 containing five to fifty residential units;

25 c) closed-end and/or revolving home equity loans, secured in whole or in  
26 part by first and/or subordinate liens on one- to four-family residential  
27 properties; or  
28

- 1 d) home improvement loans, secured by first or subordinate liens on one-  
2 to four-family residential properties or by personal property security  
3 interests, and home improvement sales contracts, secured by personal  
4 property security interests.

5 92. CWMBBS filed five Registration Statements with the SEC, *see TAC*  
6 **Appendix Exhibit F**, registering mortgage-backed securities backed primarily by:

- 7 a) first lien mortgage loans secured by one- to four-family residential  
8 properties or participations in that type of loan;  
9 b) mortgage pass-through securities issued or guaranteed by Ginnie Mae,  
10 Fannie Mae, or Freddie Mac; or  
11 c) private mortgage-backed securities backed by first lien mortgage  
12 loans secured by one- to four-family residential properties or  
13 participations in that type of loan.

14 93. Prior to securitization, Countrywide sent the “Loan Level File” to the  
15 Rating Agencies to enable them to rate the Certificates. Upon receipt of the “Loan  
16 Level File,” S&P would run the loan tape through both its “LEVELS” and  
17 “SPIRE” Models. Moody’s would run the loan tape through its M-3 Model.  
18 These models analyzed 50-80 loan characteristics (*e.g.*, FICO score, LTV ratio,  
19 property location, etc.), in order to estimate the number of loans that were likely to  
20 default and the corresponding amount of the dollar loss resulting from such default.

21 94. As a condition to the issuance of the Certificates, the Rating Agencies  
22 had to assign pre-determined ratings to the Certificates. Yet, as detailed herein, the  
23 ratings at the time of issuance were vastly higher than they should have been and  
24 failed to represent the true value of the Certificates due to incorrect information  
25 provided by Countrywide and widespread misrepresentations in the origination  
26 process. Accordingly, despite the fact that the Rating Agencies assigned  
27 investment-grade ratings, the Certificates were far riskier than other investments  
28 with the same ratings.

1           95. The models purported to calculate the amount of “credit  
2 enhancement” required to assign a specific set of Certificates “AAA” ratings. As a  
3 result of relatively low levels of credit enhancement being required, as reflected in  
4 **TAC Appendix Exhibit I**, on average, 92% of the Certificates in each Offering  
5 were assigned AAA/maximum safety ratings.

6           96. These ratings, although based on inaccurate assumptions, were critical  
7 to institutional investors – public pension funds, banks, insurance companies and  
8 mutual funds – whose investment guidelines restrict investments based on a  
9 security’s rating.

10 VII. Evidence of SYstemic Disregard of Stated Loan Origination Guidelines  
11 Contained IN Offering documents

12           **A. Exponential Increase in Certificate Default Rates in Months**  
13           **After Issuance No Matter When Offering Occurred**  
14           **Evidences Disregard of Origination Guidelines**

15           97. The defective nature of the mortgage collateral underlying the  
16 Certificates is reflected by the recurring pattern of exponential increases in  
17 borrower delinquencies in the months after each of the Offerings was commenced.

18           98. Four months after each of the Offerings was commenced, borrower  
19 delinquency and default rates on the underlying mortgage collateral had increased  
20 by a staggering 1,673% – from an average of 0.17% to over 3.06% of the mortgage  
21 loan balance. By the sixth month after issuance of the Certificates, delinquency  
22 and default rates had increased 2,601% to an average of 4.66% of the mortgage  
23 loan balance. And shockingly, by 12 months after the Offering date, delinquency  
24 and default rates had increased by almost 6,000% from issuance to 10.5% of the  
25 mortgage loan balance. Borrower default and delinquency rates in the underlying  
26 mortgage collateral have continued to increase.

27           99. These early payment defaults and delinquency rates are reflective of a  
28 systematic disregard for underwriting guidelines. As reported by the Federal

1 Bureau of Investigation (“FBI”) in its 2006 and 2007 Mortgage Fraud Reports, a  
2 study of three million residential mortgage loans found that between 30% and 70%  
3 of early payment defaults were linked to significant misrepresentations in the  
4 original loan applications. The study cited by the FBI and conducted by Base  
5 Point Analytics found that loans that contained egregious misrepresentations were  
6 five times more likely to default in the first six months than loans that did not. The  
7 misrepresentations included income inflated by as much as 500%, appraisals that  
8 overvalued the property by 50% or more and fictitious employers and falsified tax  
9 returns. The 2006 FBI report also cited studies by a leading provider of mortgage  
10 insurance, Radian Guaranty Inc., in concluding that the top states for mortgage  
11 fraud – including the states where the MBS collateral was principally originated –  
12 were also the top states with the highest percentage of early payment defaults.

13 100. As of the filing of the Amended Luther Complaint in October 2008,  
14 borrower delinquency and default rates had risen to an average of approximately  
15 42% of the mortgage loan collateral underlying the Certificates, forcing the Rating  
16 Agencies to downgrade substantially all of the Certificates to at or near junk bond  
17 status. As of the date of the filing of the complaint in the above-captioned action  
18 in January 2010, *over 59%* of mortgage collateral was considered to be in some  
19 form of delinquency or default, with *over 85%* of the mortgage loans underlying  
20 the Offerings issued by Defendant CWALT at issue herein being delinquent or in  
21 default.

22 101. Despite assurances by the Defendants in the Offering Documents that  
23 the mortgage loans collateralizing the Certificates were originated pursuant to  
24 Countrywide’s stated guidelines, nothing could have been further from the truth.

25 **B. Rating Agencies Collapsed Certificate Ratings to “Junk Bond”**  
26 **Levels Due to Undisclosed “Aggressive Underwriting” Practices**

27 102. The Rating Agencies rated the Certificates pursuant to the following  
28 twenty-three (23) level rating system:

		Definition	Moody's	S & P	Fitch
		<b>Investment Grade</b>			
	10.0	US Treasuries	***	***	***
	9.5	Prime, maximum safety	Aaa	AAA	AAA
	9.0	Very high grade/quality	Aa1	AA+	AA+
	8.5	"	Aa2	AA	AA
	8.0	"	Aa3	AA-	AA-
	7.5	Upper medium quality	A1	A+	A+
	7.0	"	A2	A	A
	6.5	"	A3	A-	A-
	6.0	Lower medium grade	Baa1	BBB+	BBB+
	5.5	"	Baa2	BBB	BBB
	5.0	"	Baa3	BBB-	BBB-
Color code	Number	Definition	Moody's	S & P	Fitch
		<b>Speculative grade</b>			
	4.5	Speculative	Ba1	BB+	BB+
	4.0	"	Ba2	BB	BB
	3.5	"	Ba3	BB-	BB-
	3.0	Highly speculative	B1	B+	B+
	2.5	"	B2	B	B
	2.0	"	B3	B-	B-
	1.5	Substantial risk	Caa1	CCC+	CCC+
	1.0	In poor standing	Caa2	CCC	CCC
	0.5	"	Caa3	CCC-	CCC-
	0.0	Extremely speculative	Ca	CC	CC
	0.0	Maybe in or extremely close to default	C	C+,C,C-	C+,C,C-
	0.0	Default		D	D

103. As noted above, the Rating Agencies initially assigned the highest ratings of AAA/maximum safety to 100%, or \$2.63 billion, of the Certificates at issue herein. *See SAC Appendix Exhibit J.*

104. As of the filing of the FAC, as set forth directly above, the underlying collateral has largely failed, with **over 59%** of the total mortgage loan balance now severely delinquent, in default, repossessed, in bankruptcy or in foreclosure. This performance was an indication to the Rating Agencies, including S&P and Moody's, of pervasive underwriting failures in the origination of the collateral which ultimately led to widespread and deep downgrades of most of the Certificate classes.



1           105. On or about July 10, 2007, S&P publicly announced it was revising  
2 the methodologies used to rate numerous Certificates because the performance of  
3 the underlying collateral “called into question” the accuracy of the loan data. This  
4 announcement triggered several government investigations which only began  
5 reporting their findings in 2008. Specifically, S&P announced that it was revising  
6 its methodology assumption to require increased “credit protection” for rated  
7 transactions. S&P reiterated that it would also seek in the future to review and  
8 minimize the incidence of potential underwriting abuse given “the level of  
9 *loosened underwriting* at the time of loan origination, misrepresentation and  
10 speculative borrower behavior reported for the 2006 ratings.”

11           106. One day later, on July 11, 2007, Moody’s announced it was also  
12 revising its methodology used to rate the Certificates, and anticipated Certificate  
13 downgrades in the future. Moody’s did in fact significantly downgrade most of the  
14 Certificate classes, noting “aggressive underwriting” used in the origination of the  
15 collateral.

16           107. As a result, the Certificates were downgraded as many as 20 levels  
17 with, for example, 89%, or \$2.3 billion, of the total \$2.6 billion of Certificates  
18 initially rated AAA/maximum safety now having been downgraded from AAA to  
19 “B2 (‘highly speculative’)” or below, meaning these Certificates were not only  
20 designated “junk bonds,” but were assessed to be in danger of “imminent default.”  
21 100%, or \$2.6 billion, of the Certificate tranches have now been downgraded, with  
22 89%, or \$2.3 billion, of the total Certificates at issue having now been downgraded  
23 to speculative “junk” status.

24           108. Countrywide’s systematic disregard for its underwriting guidelines led  
25 to dramatic downgrades of the Certificates as set forth directly above. Currently,  
26 89% (\$2.3 billion) of the \$2.6 billion of Certificates initially rated AAA/maximum  
27 safety have been downgraded to speculative “junk” status or below. Delinquency  
28 and default rates on the Countrywide loans in the Certificates have risen

1 exponentially by over 33,000% since issuance of the Certificates – from 0.17% as  
2 of the respective Offering dates to **over 59%** as of May 2010.

3 109. Further, as set forth more fully below, disclosures emerged well after  
4 the issuance of the Certificates with respect to the loan originators which further  
5 evidenced that they had engaged in underwriting practices which were wholly  
6 inconsistent with the guidelines set forth in the Registration Statements and  
7 Prospectus Supplements.

8  
9 **C. Government Investigations Reveal the  
10 Falsity of the Offering Documents<sup>3</sup>**

11 110. Although the poor performance of the MBS alone strongly suggests  
12 that Countrywide's lending practices were far from was disclosed in the Prospectus  
13 Supplements, there is substantial additional evidence that also indicates that the  
14 statements in the Prospectus Supplements about loan quality and loan underwriting  
15 practices were materially inaccurate. Among this evidence are statements by  
16 former Countrywide employees, facts which have emerged in ongoing litigation  
17 involving the SEC (including a recent judicial opinion dealing with disclosures by  
18 Countrywide), facts set out in complaints filed by state attorneys general, facts set  
19 out in filings by private litigants and information from press reports and other  
20 sources.

21 111. Taken together, these facts indicate that, while the Offering

22  
23 <sup>3</sup> The allegations set forth in Sections VII(C) and (D) of this Complaint are  
24 derived from investigations and lawsuits involving one or more of the Countrywide  
25 Defendants or entities referred to herein by or on behalf of the Securities and  
26 Exchange Commission (§§112-118), various Attorneys General Offices (§§119-  
27 133) and private litigants (§§134-148). Counsel for Plaintiffs personally contacted  
28 those responsible for the investigation and development of the allegations set forth  
in these sections and confirmed their validity. Furthermore, each of these  
allegations was made in a signed complaint filed consistent with Rule 11 of the  
Federal Rules of Civil Procedure or corresponding State rule. As such, Plaintiffs  
maintain that there exists a good faith belief that such allegations are true and  
accurate to the extent they describe the fraudulent lending practices being engaged  
in at Countrywide during the time the mortgages in question were originated and  
securitizations took place.